

Department of Environmental Quality

A.R.S. § 49-101

Director: Stephen Owens

JLBC Analyst: John Malloy

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	496.1	495.1	495.1 ^{1/}
Personal Services	11,176,700	11,371,900	11,579,500
Employee Related Expenditures	2,712,800	2,862,400	3,002,600
Professional and Outside Services	96,400	140,000	140,000
Travel - In State	190,700	169,100	169,100
Travel - Out of State	10,200	28,600	28,600
Other Operating Expenditures	5,570,600	6,652,600	7,152,600
Equipment	104,300	122,200	122,200
OPERATING SUBTOTAL	19,861,700	21,346,800	22,194,600
SPECIAL LINE ITEMS			
Waste Programs			
WQARF Priority Site Remediation	10,000,000	10,000,000	10,000,000 ^{2/3/4/}
Underground Storage Tank Program	5,000	22,000	22,000
Hazardous Waste Program	467,800	695,600	715,000
Solid Waste Program	2,186,400	3,310,200	3,347,700
Waste Tire Program	37,400	206,600	211,300
Water Programs			
Aquifer Protection Permit Program	744,800	742,600	756,100
Water Quality Program	1,601,100	3,736,900	3,786,500
Water Infrastructure Finance Authority	1,971,300	2,445,100	2,445,100 ^{5/}
Air Programs			
Air Permits Administration Program	5,091,800	5,384,700	5,487,100 ^{6/}
Air Quality Program	3,431,000	4,496,000	4,546,600
Emissions Control Program-Administration	2,512,200	3,953,500	4,018,900
Emissions Control Contractor Payment	25,182,300	31,739,600	31,739,600
Pima County Air Quality Programs	165,000	165,000	165,000 ^{7/}
Ch. 293 Air Quality; Fuel Formulations	0	0	135,000
AGENCY TOTAL	73,257,800	88,244,600	89,570,500^{8/9/10/}
FUND SOURCES			
General Fund	22,671,800	22,867,600	23,043,100
Other Appropriated Funds			
Air Permits Administration Fund	5,091,800	5,384,700	5,487,100
Air Quality - Clean Air Subaccount	0	0	500,000
Air Quality Fund	3,596,000	4,661,000	4,846,600
Emissions Inspection Fund	27,694,500	35,693,100	35,758,500
Hazardous Waste Management Fund	467,800	695,600	715,000
Indirect Cost Recovery Fund	9,906,000	11,666,900	11,852,700
Recycling Fund	1,537,400	2,091,100	2,105,200
Solid Waste Fee Fund	596,300	1,294,800	1,321,300
Underground Storage Tank Fund	5,000	22,000	22,000
Used Oil Fund	90,100	130,900	132,500
Water Quality Fee Fund	1,601,100	3,736,900	3,786,500
SUBTOTAL - Other Appropriated Funds	50,586,000	65,377,000	66,527,400
SUBTOTAL - Appropriated Funds	73,257,800	88,244,600	89,570,500
Other Non-Appropriated Funds	142,683,300	148,858,400	145,523,400
Federal Funds	15,944,300	20,704,900	20,704,900
TOTAL - ALL SOURCES	231,885,400	257,807,900	255,798,800

^{1/} Includes 14.7 GF and 192.4 OF FTE Positions funded from Special Line Items in FY 2005.

^{2/} A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. For FY 2005 Laws 2004, Chapter 280 temporarily suspends the provisions of A.R.S. § 49-282 and sets the transfer at \$10,000,000. Although the transfer is not included in the annual General Appropriation Act, it is shown here as a General Fund expenditure.

AGENCY DESCRIPTION — The Department of Environmental Quality's (ADEQ) purpose is to protect human health and the environment by enforcing standards of quality for Arizona's air, water, and land. The department's Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.

	FY 2003 Appropriation	FY 2003 Actual	FY 2004 Appropriation	FY 2005 Appropriation
PERFORMANCE MEASURES				
• % of contaminated sites closed requiring no further action (cumulative) versus known sites	78.0	72.6	78.0	73.0
• Vehicles that have failed inspection and later brought into compliance (in thousands)	180.0	163.0	166.0	163.0
• % of statutorily set permit timelines met through Licensing Time Frames rule	99	99	99	99
• Number of days per year exceeding National Ambient Air Quality Standards for Ozone, Carbon Monoxide, or Particulates	0	0	0	0
• % of agency staff turnover	13.0	8.6	11.7	8.6
• Administration as a % of total cost	12.6	3.8	12.6	3.8
• Customer satisfaction rating for citizens (Scale 1-8)	6.0	6.6	7.4	6.6

Comments: The estimates of administrative cost include approximately \$33,000,000 in Vehicle Emissions Inspection contractor fees as part of total agency costs in each year. The administrative cost percentages were calculated by dividing the Administration Program expenditures into total agency expenditures as presented in the agency strategic plan.

Operating Budget

The budget provides \$22,194,600 for the operating budget in FY 2005. This amount consists of \$9,841,900 from the General Fund, \$11,852,700 from the Indirect Cost Recovery Fund and \$500,000 from the Air Quality Fund – Clean Air Subaccount. The approved amount includes an increase for statewide salary and other adjustments.

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

The budget includes an Air Quality Fund – Clean Air Subaccount increase of \$500,000 in order to address a shortfall in the agency's operating budget. This funding will be used to support the agency's Resource Conservation and Recovery Act (RCRA) Program, which oversees hazardous waste enforcement efforts throughout the state.

- 3/ The Department of Environmental Quality shall report annually to the Legislature in writing on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. The department shall submit the report to the members of the Joint Legislative Budget Committee and to the Director of the Joint Legislative Budget Committee Staff by September 1, 2004. (General Appropriation Act footnote)
- 4/ Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2006 budget for the Water Quality Assurance Revolving Fund before September 1, 2004, for review by the House of Representatives and Senate Appropriations Committees. (General Appropriation Act footnote)
- 5/ The amounts appropriated for the Water Infrastructure Finance Authority in FY 2005 shall be used to provide a 20% match of the FY 2005 federal Safe Drinking Water and Clean Water Revolving Fund allocations to this state. Of the amount appropriated, any amount in excess of the required 20% match reverts to the state General Fund. (General Appropriation Act footnote)
- 6/ The appropriation from the Permit Administration Fund is an estimate representing all monies distributed to this fund, including balance forward, revenue and transfers during FY 2005. These monies are appropriated to the Arizona Department of Environmental Quality for the purposes established in A.R.S. § 49-455. The appropriation shall be adjusted as necessary to reflect actual final receipts credited to the Permit Administration Fund. (General Appropriation Act footnote)
- 7/ The monies appropriated in the Pima County Air Quality Programs Special Line Item are for use by Pima County to avoid being declared in non-attainment of particulate matter standards by establishing public notification and outreach programs, minimizing exposure to particulate matter concentrations and to abatement and minimization of controllable sources of particulate matter through Best Available Control Measures. Of the monies in the Pima County Air Quality Programs Special Line Item in FY 2005, \$50,000 shall be used for carbon monoxide monitoring as required by the Pima County Limited Maintenance Plan with the Federal Environmental Protection Agency. (General Appropriation Act footnote)
- 8/ Up to \$1,250,000 of the state General Fund appropriation may be used temporarily to maintain existing environmental programs for which an application for Federal Funds has been submitted. (General Appropriation Act footnote)
- 9/ When expenditures from the Hazardous Waste or Environmental Health Reserves are authorized, the Director of the Department of Environmental Quality shall report the nature of the emergency and the authorized expenditure amount to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Special Line Items

Waste Programs

WQARF Priority Site Remediation

The budget provides \$10,000,000 from the General Fund for WQARF Priority Site Remediation. This amount is unchanged from FY 2004. The WQARF program is similar to the federal Superfund program in that it is designed to monitor and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

WQARF is funded in part from an annual \$15,000,000 transfer from the Corporate Income Tax (CIT), as stipulated in A.R.S. § 49-282. In addition, WQARF generates other revenue from various license and registration fees. A.R.S. § 49-282 directs the State Treasurer to adjust the \$15,000,000 CIT transfer so that, when combined with the WQARF fee generated revenue, the program receives \$18,000,000 annually. Some types of revenue, including cost recovery collections and interest, are not included in this calculation. Therefore, actual program revenues can exceed \$18,000,000 in a year depending on how much is deposited from these other sources.

For FY 2005, the Environmental Protection Budget Reconciliation Bill (BRB) (Laws 2004, Chapter 280) temporarily suspends the statutory formula and sets the Corporate Income Tax transfer amount at \$10,000,000.

Given that these statutory provisions determine the funding level, these monies are not included in the General Appropriation Act.

Underground Storage Tank Program

The budget provides \$22,000 from the Underground Storage Tank Fund for the Underground Storage Tank (UST) Program in FY 2005. This amount is unchanged from FY 2004.

Monies in the UST Program are utilized to detect and clean up hazardous leakage from USTs. The program's regulatory component is funded from annual tank registration fees. The clean-up component is funded from a 1¢ per gallon excise tax on gasoline and diesel fuel.

The excise tax is deposited into the UST Fund's State Assurance Fund (SAF). Monies in the SAF are used to partially reimburse tank owners for corrective actions due to leaking tanks and to reimburse ADEQ for actions taken by the agency. The vast majority of fund revenues are not appropriated by the Legislature, however the recommended amount includes \$22,000 from the SAF in FY 2005 to pay the operating costs of the Underground

Storage Tank Technical Appeals Panel and the Underground Storage Tank Policy Commission.

Laws 2004, Chapter 273 repeals the Underground Storage Tank (UST) Program and the associated 1¢ excise tax on or after July 1, 2011. The program will be replaced by the Regulated Substance Fund (RSF). The legislation sets June 30, 2010 as the last date to make a claim against the SAF. RSF is to receive \$60,000,000 from the Assurance Account. Any amount in excess of \$60,000,000 goes to the General Fund. If the Assurance Account total is less than \$60,000,000, the 1¢ tax will continue to be imposed until a balance of \$60,000,000 is accumulated in the RSF Fund, or until December 31, 2013, whichever comes first. At that point the UST Program and the tax will be repealed. The RSF Fund will then be the funding source for underground storage tanks where the owner cannot be located.

Hazardous Waste Program

The budget provides \$715,000 from the Hazardous Waste Fund for the Hazardous Waste Program in FY 2005. The approved amount includes an increase for statewide salary and other adjustments.

Monies in this line item are used to regulate and inspect hazardous waste treatment, storage and disposal facilities. It educates hazardous waste handlers on how to comply with federal and state standards. It also oversees cleanup of hazardous waste sites. The Hazardous Waste Program contains 10.4 FTE Positions.

Solid Waste Program

The budget provides \$3,347,700 for the Solid Waste Program in FY 2005. This amount includes \$2,105,200 from the Recycling Fund, \$1,110,000 from the Solid Waste Fee Fund and \$132,500 from the Used Oil Fund. These amounts include an increase for statewide salary and other adjustments.

This program is responsible for issuing permits to landfills and other solid waste facilities, conducting facility inspections, initiating remediation actions related to compliance issues, and recycling grants and public information. The program includes 22.4 FTE Positions that are funded from the Solid Waste Fee Fund (13 FTE Positions), the Recycling Fund (8.4 FTE Positions) and the Used Oil Fund (1 FTE Position).

Waste Tire Program

The budget provides \$211,300 from the Solid Waste Fee Fund for the Waste Tire Program in FY 2005. The approved amount includes an increase for statewide salary and other adjustments.

This program oversees county programs that dispose of and/or recycle waste tires. The Waste Tire Program line item contains 2.8 FTE Positions.

Water Programs

Aquifer Protection Permit Program

The budget provides \$756,100 from the General Fund for the Aquifer Protection Permit Program in FY 2005. The approved amount includes an increase for statewide salary and other adjustments.

This program issues aquifer protection permits to facilities whose activities, including waste discharges, pose a threat to groundwater. The program also reviews facility plans for waste discharge. The Aquifer Protection Permit Program contains 14.7 FTE Positions.

Water Quality Program

The budget provides \$3,786,500 from the Water Quality Fee Fund for the Water Quality Program in FY 2005. The approved amount includes an increase for statewide salary and other adjustments.

This program contains 29.6 FTE Positions and ensures water quality by monitoring and regulating drinking and wastewater sources.

Water Infrastructure Finance Authority (WIFA)

The budget provides \$2,445,100 from the General Fund for the Water Infrastructure Finance Authority in FY 2005. This amount is unchanged from FY 2004.

WIFA administers the Clean Water Revolving and the Safe Drinking Water Revolving Funds, which are used to make loans to wastewater treatment and drinking water facilities in need of infrastructure improvements. Under the Federal Clean Water Act, Arizona receives a Federal Fund allocation to be used for loans each year. The act requires that states match the federal allocation at 20%.

Air Programs

Air Permits Administration Program

The budget provides \$5,487,100 from the Air Permits Administration Fund for the Air Permits Administration Program in FY 2005. The approved amount includes an increase for statewide salary and other adjustments.

This program regulates and inspects stationary air pollution sources, including enforcement actions necessary to comply with federal clean air regulations. The Air Permits Administration line item contains 61.4 FTE Positions.

Air Quality Program

The budget provides \$4,546,600 from the Air Quality Fund for the Air Quality Program in FY 2005. The approved amount includes an increase for statewide salary and other adjustments.

Expenditures are for air quality research and programs to bring non-attainment areas into attainment with federal clean air standards. Revenues to the fund are from the \$1.50 air quality fee collected at the time of vehicle registration. The Air Quality Program SLI contains 26.8 FTE Positions.

Emissions Control Program

The Emissions Control Program is operated by an independent contractor in Maricopa and Pima Counties, with the purpose of identifying and repairing polluting motor vehicles. Vehicle owners in Maricopa County are subject to either an Inspection and Maintenance (IM-147) or On-Board Diagnostic inspection if the vehicle was manufactured in 1981 or after, or a loaded idle inspection if the vehicle was manufactured prior to 1981. Pima County vehicle owners are subject only to the idle inspection. The program is funded through test fees that are charged to motorists at the time of inspection.

The contractor collects the test fee and remits the entire portion for deposit in the Vehicle Emission Inspection (VEI) Fund. Monies are then appropriated from the VEI Fund to either pay for ADEQ's program administration costs or to pay the independent contractor's operational expenses.

Table 1 displays the components of the Emission Control Program appropriations from the Emissions Inspection Fund in FY 2005.

Table 1	
Emission Control Program	
	<u>FY 2005</u>
Program Administration	\$ 4,018,900
Contractor Payment	<u>31,739,600</u>
Total	\$35,758,500

Emissions Control Program - Administration

The budget provides \$4,018,900 from the VEI Fund for the Emissions Control Program in FY 2005. The approved amount includes an increase for statewide salary and other adjustments.

This line item includes activities such as providing program information and assistance to the public, reviewing the eligibility of those seeking vehicle repair grants or test waivers, and overseeing the inspection contract. These activities are funded from the administrative portion of the inspection fee, which is set by ADEQ. The Emissions Control Program - Administration SLI contains 39 FTE Positions.

Emissions Control Contractor Payment

The budget provides \$31,739,600 from the VEI Fund for the Emissions Control Contractor Payment in FY 2005. This amount is unchanged from FY 2004.

Monies appropriated to this line item are to pay the Emissions Control Program contractor. Under the contract, the contractor remits the entire amount of the fee to ADEQ for deposit in the VEI Fund. ADEQ will then determine the amount due to the contractor based on the number of vehicles inspected and make payments to the contractor on a regular basis.

Pima County Air Quality Programs

The budget provides \$165,000 from the Air Quality Fund for the Pima County Air Quality Programs in FY 2005. This amount is unchanged from FY 2004.

Monies in this line item are for use by Pima County to establish air quality public notification and outreach programs, to minimize exposure to particulate matter concentrations, and for abatement and minimization of controllable sources of particulate matter through best available control measures.

Ch. 293 Air Quality; Fuel Formulations

Laws 2004, Chapter 293 appropriates \$135,000 from the Air Quality Fund to study the air quality impacts of shortening the winter season use of CARB 3 gasoline, including vapor pressure and oxygenate requirements. CARB 3 gasoline is cleaner burning and causes less air pollution than standard unleaded gasoline.

Fund Transfers

Air Quality – Clean Air Subaccount

The General Appropriation Act transfers \$3,000,000 from the Air Quality – Clean Air Subaccount to the General Fund in FY 2005. The FY 2004 Public Finance Omnibus Reconciliation Bill (ORB) (Laws 2003, Chapter 263) transfers the first \$11.7 million of in-lieu fees to the General Fund (instead of the Air Quality Fund) in FY 2004 and FY 2005. For FY 2005, the Air Quality – Clean Air Subaccount will transfer a total of \$14.7 million to the General Fund. These transfers are not part of the agency's appropriation and are not reflected in the table above.

This revenue comes from fees that owners of vehicles 5 years old or newer pay in-lieu of the vehicle emissions inspection.

Underground Storage Tank Revolving Fund

The General Appropriation Act transfers \$500,000 from the Underground Storage Tank (UST) Revolving Fund to the Water Quality Assurance Revolving Fund (WQARF) as reimbursement for expenditures incurred by WQARF for FY 2004 agency operations. This transfer is not part of the agency's appropriation and is not reflected in the table above.

Air Quality – Clean Air Subaccount

The General Appropriation Act transfers \$100,000 from DEQ's non-appropriated Air Quality Clean Air

Subaccount to the Arizona Department of Administration's non-appropriated State Employee Travel Reduction Fund in FY 2005. *(Please see Department of Administration section for additional information.)* This transfer is not part of the agency's appropriation and is not reflected in the table above.

Additional Legislation

Environmental Protection; Budget Reconciliation

The Environmental Protection Budget Reconciliation Bill (Laws 2004, Chapter 280) suspends the UST Revolving Fund Assurance Account administrative cap for FY 2005 and allows DEQ to utilize up to \$6,930,900 from the Assurance Account for the administrative costs of the UST Leak Prevention program, Used Oil program as well as integrating the Assurance Account and UST databases into a single database. Expenditures from the Assurance Account are not appropriated by the Legislature and therefore are not reflected in the table above.

Storage Tanks; Underground; Funding

Laws 2004, Chapter 273 repeals the Underground Storage Tank (UST) Program and the associated 1¢ excise tax on or after July 1, 2011. *(Please see the Underground Storage Tank Program Special Line Item description for more information.)*

[Click here to return to the Table of Contents](#)